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Economic Perspective 3

ACCOUNTABILITY AND REGIONAL CONTROL: OPTIONS FOR REFORM*

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The MSC is extremely significant to the Scottish economy. In 1985-86 it spent nearly £134 million on training and employment activities in Scotland and this is planned to rise to £184 million by 1988-89. The various MSC schemes in Scotland affected some 60,000 individuals including 24,000 school leavers. The Commission directly employs over 2,000 staff in Scotland.

The quasi-autonomous Scottish Regional Committee was intended to provide a Scottish dimension to manpower policies in conjunction with a devolved Scottish Assembly. The Assembly never appeared, but the Scottish Committee (SC) was set up and has remained like an odd piece of flotsam above the highwater mark of nationalism. It is one of the surviving organisations from the period of corporatism in the 1970s. Does it perform a useful function? Can a case be made out for its continued existence?

Organisational health: a minimum checklist

From the literature on organisational analysis (Perrow, 1970), a number of basic elements can be identified which constitute the minimum necessary to ensure that there is at least the capacity for organisations to undertake their tasks. These include: goals, accountability, authority and responsibility, policy-making capacity and resources, and integration and co-ordination. If we now look at the SC under these headings we

should be able to identify its capacity to perform any useful tasks.

The Manpower Services Commission (MSC) is characterised by centralised policy-making and localised programme implementation. Key decisions regarding strategy and resource allocations are taken at the centre in negotiations between the Commission and Department of Employment. At the other end of the operation, the delivery of a range of services in the employment and training field is left to local area offices working in co-operation with Area Boards (ABs) which reflect the 'tripartite' structure of the Commission in their composition. So what function does the Scottish Committee perform?

Goals

The formal goals appear to be to ensure that the MSC Headquarters is sensitive to the conditions prevailing in Scotland, to check that Area Boards fulfil their function, and to diffuse potential criticism. These goals are vague rather than clear and measurable, and the Scottish Committee lacks adequate resources to begin to achieve them.

Accountability and structure

We have described the MSC as an organisation of centralised policy-making

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and devolved administration. Within its structure there is a missing link of accountability between the regional committees and the operational divisions which report directly to MSC in Sheffield. Functional operational divisions cut across geographic boundaries. The Scottish Committee has no direct operational responsibility or control over activities of the MSC in Scotland. Staff are not Scottish Office civil servants. Their career progression and organisational identity are not based on a Scottish interest.

The MSC is accountable for operational matters in Scotland to the Secretary of State for Scotland, but senior MSC officials in Scotland are managerially responsible to Sheffield. The Office for Scotland remains a small co-ordinating unit without any formal powers to actually co-ordinate anything. Key central services are based in Sheffield. Even the designation of Scotland as a distinct region in terms of MSC operational activities has lost some coherence with the decision to merge the Scottish end of the Skills Training Agency with North-East England (MSC, 1986a).

The sponsoring government department for Scotland is the Industry Department for Scotland (IDS), which provides most of the Commission's funding from its vote. Generally, Scottish office civil servants have played a 'hands off' role, exercising oversight but with minimum direction over operational issues. Although the majority of MSC activities in Scotland are funded through IDS, the most significant non-devolved item of expenditure is the Community Programme which remains under the DE vote.

Authority and responsibility

The position of the Scottish Secretary with some formal responsibility for MSC operations in Scotland does give the important possibility of a Scottish input into policy-making at the centre, in a way in which a purely consultative role

without any executive powers would not allow (Millan, 1981), and which is missing in English regions. However, this responsibility is exercised jointly with the Secretary of State for Employment and cannot be seen in the same light as the relationship between the Scottish Office and purely Scottish quangos like the Scottish Development Agency or Highlands and Islands Development Board which offer a distinctive input into industrial policy (Hood and Young, 1984) in ways which are not possible with MSC.

The Committee for Scotland is the ultimate advisory body of MSC in Scotland. It has no executive responsibilities or authority. The ABs provide the local advisory input, overseeing the activities of area offices of the Commission's operational divisions. ABs have a particular remit to monitor Youth Training Scheme (YTS) and Community Programme (CP) projects. They are not directly responsible, however, for resource allocations within their areas or for strategy, but concentrate on the design and delivery of individual projects. They have the authority to reject applications from sponsors and to terminate established projects, but only if they fail to meet the criteria laid down by the Commission centrally.

Policy-making capacity and resources

Whilst MSC expenditure in Scotland comes out of the Scottish Office budget, it lies outside the block grant system governing the bulk of public spending in Scotland (Keating and Midwinter, 1983). This effectively means that the Secretary of State for Scotland has no direct control over the distribution of expenditure and in particular no capacity to switch the MSC's 'Scottish budget' between different programme headings within the Scottish Office. Thus the allocation of resources between different programmes and between regions is decided centrally. The MSC in Scotland cannot change policy priorities or programme criteria and is constrained in bending resources to meet the needs of small areas. We have highlighted this rigidity in relation to MSC's involvement in the Glasgow Eastern Area Renewal

Project (GEAR). Despite being one of the formal partners in this major urban renewal initiative which was designed to 'bend' public resources into the inner city, the MSC has largely continued to apply centrally derived criteria to its programmes with adverse consequences for local residents competing in an open labour market (Moore and Booth, 1984).

Budgets for major programmes like the CP and Enterprise Allowance Scheme (EAS) are based on levels of unemployment by region and distributed at an area level on the same criteria. There is some room for manoeuvre with resources being transferred across regions and between areas depending on take-up of places, but this does not affect the basic philosophy of centralised planning. Similarly the distribution of YTS resources are decided at the centre, including the proportionate share between Mode A and B places. Again this can have unintended consequences for particular localities. For example, the shift towards Mode A schemes and transition to a two year YTS assumes that the local economic base has the capacity within the private sector to absorb increased training demand without diluting the quality of the schemes. This may be true of the South East of England, but does not necessarily apply to the depressed markets of areas like Clydeside (McArthur and McGregor, 1986).

Centralised control over policy priorities, programme criteria and resource allocation mean that the Scottish Plan cannot be seen as a distinctive strategy for Scotland, but as the Scottish component of MSC's overall strategy. Perhaps the most distinctive element of the Scottish Plan lies in relating MSC programmes to the Scottish educational system. The operationalisation of national schemes must allow scope for local discretion, but in practice the most important arena for such discretion is the area not the regional level. The MSC Corporate Plan emphasises the importance of this local level for its operations:

"Different local labour markets have different needs, and adaptability is essential. The Commission will therefore increase its use of local

delivery mechanisms. Its Area Manpower Boards, with their local knowledge and expertise, will have a key role to play in fitting programmes to local needs" (MSC, 1986b, para 1.11).

Almost as an afterthought the paragraph goes on to refer to the "valuable work of its other Advisory Boards and Committees".

The latest Annual Report outlined an enhanced role for Area Boards, strengthening their direct accountability to the Commission through a requirement to submit annual reports (MSC, 1986c, para 6.27).

Scope for local managerial discretion exists but there is nothing distinctively Scottish about this. When key elements of MSC activities work through franchising responsibility for delivery to outside agencies there is inevitably a high degree of inter-organisational and interest group bargaining, but this occurs at the national policy-making level or at Area Board level, not at the Scottish Committee level.

There are thus two major limiting factors on the role of the Scottish Committee in the policy-making and implementation process. One is the organisation of the MSC which emphasises management accountability based on function not region, and the other is the importance of local labour markets as the operational paradigm of most Commission programmes.

Integration and co-ordination

If the Scottish policy-making community can be characterised as a village, then the MSC is rather like the week-end villager maintaining a country cottage rather than a resident. This is

particularly so if one looks at the anomalous position of the Scottish Committee which, in the essentials of policy-making, resource allocation, programme implementation and managerial accountability is largely by-passed. The Area Boards over which it exercises a supervisory relationship act as significant channels of consensus at the local level, bringing the different interest groups together and forging linkages between the Commission's operational arms. It is at this level where key programmes like the YTS and CP are transmitted from policy to actual projects on the ground. It is at this level where the bargaining process between the different interests has some meaning, albeit within centrally defined criteria and resource allocations.

The Scottish Committee, in the absence of any direct controls over the area level, cannot be expected to effectively monitor key MSC activities in Scotland. Given its lack of executive responsibilities it is not surprising that problems are referred to Sheffield.

Does this mean that the Area Boards should indeed be given a more enhanced role to play within the MSC's structure, including possibly some executive and financial powers? The implications for the position of the Scottish Committee from any such devolution to the areas seem all too clear. If its role is somewhat ambiguous and anomalous now, it will become even less tenable in such a situation. The regional input in the decision-making process would decline since area boards are more likely to identify with local interests. Indeed, the reality of a Scottish interest or consensus emerging from the area level is misplaced. Area Boards are as likely to identify themselves with areas facing similar problems in other parts of the UK as they are with other Scottish areas. Simply being based in Scotland does not guarantee a common interest.

Marginalisation of the SC's role without any explicit decision on its future is certainly one scenario, but it is not an attractive one for those concerned about

the operations of MSC in Scotland. Thus, in the next section we consider three options, two of which would actually involve some conscious decision-making by the centre.

Options

Option 1 - Abolition

The first option would involve the abolition of the Committee and the creation of more direct links between MSC at the centre and the Area Boards. In the absence of a Scottish Committee there would probably be considerable pressure for devolved powers to the local level. The advantage of abolition is that it would clarify the respective goals, authority and accountability of the centre and ABs. On the other hand the political 'trump card' role which the Scottish Committee can play as a focus of lobbying and a deflection of political criticism, would be sacrificed.

Option 2 - The status quo - the paper tiger?

Retaining a Scottish Committee has some symbolic purpose for the centre in that it gives the appearance of devolved power without the substance. Removing this fig leaf might raise some sharp dilemmas at the centre concerning its relationship with the localities. In the absence of political devolution the Scottish Committee has taken on the appearance of an organisation in search of a role.

Option 3 - Rebirth: strengthening the Scottish dimension

This option gives the MSC a real Scottish dimension in its policy-making and management by devolving powers to the SC. Rather than the existing covert lobbying for resources and influence such

devolution would open up the decision-making process. The Secretary of State for Scotland would have more explicit responsibility for MSC operations in Scotland, with the Scottish Committee reporting to the Scottish office. As at present the centre would set broad policy objectives and determine the overall allocation of resources, but devolved power would have to allow for variations in programmes and priorities to reflect Scottish needs. This change might still be achieved without further accountability to the Scottish interest by a process of administrative delegation **within** MSC. This internal option would allow for more discretion at the regional level over material resources and policy, but this would not necessarily lead to significant variations in outcomes as the centre would still retain fairly tight control and the regional committee would answer to it. The more radical alternative is to devolve powers and resources to the SC which would answer to **external** bodies - the Scottish office and, in the event of political devolution, to a Scottish Assembly. This would involve accountability to the Scottish interest.

Without making an explicit choice between abolition or rebirth, the Committee for Scotland will remain something of a paradox relating neither to the policy-making process at the centre, nor to labour markets at the local level. If the Area Boards were given greater responsibilities this position would become more untenable. If there were, on the other hand, significant devolution to the regional level with Area Boards directly accountable to the Scottish Committee this would mean a more radical change in the way the MSC operates. There may be benefits for Scotland if such an option were followed, not least in bringing strategic responsibility for labour markets and training more closely into the Scottish institutional and policy-making network.

Conclusion

We have not set out to provide a blueprint for reorganisation but to speculate upon some key options open to decision-makers regarding the future of the regional dimension. In the absence of any explicit decisions the status quo will reinforce the missing link which currently

exists at the Scottish level in terms of policy-making and accountability for MSC's activities in Scotland. Symbolic concessions to a Scottish identity may satisfy the centre but do not meet the need for effective policy-making and accountability.

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